

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

**University of Louisville Real Estate
Foundation, Inc. and Affiliates**

June 30, 2024 and 2023

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
University of Louisville Real Estate Foundation, Inc. and Affiliates

Opinion

We have audited the consolidated financial statements of University of Louisville Real Estate Foundation, Inc. and Affiliates (the "Entity"), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Entity as of June 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Entity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Chicago, Illinois
September 26, 2024

University of Louisville Real Estate Foundation, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**June 30,
(In thousands)**

	2024	2023
ASSETS		
Cash	\$ 5,538	\$ 8,157
Accounts receivable	1,522	4,108
Short-term investments	9,540	12,085
Prepays and other assets	2,294	1,610
Investments in joint ventures	1,001	2,259
Deferred tax assets, net	747	962
Intangibles, net	79,873	84,371
Capital assets, net	140,109	142,340
	\$ 240,624	\$ 255,892
Total assets	\$ 240,624	\$ 255,892
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 741	\$ 356
Other liabilities	1,511	1,802
Debt	37,160	42,687
Due to the University of Louisville Foundation, Inc.	-	5,379
	39,412	50,224
Total liabilities	39,412	50,224
Net assets without donor restrictions	201,212	205,668
	\$ 240,624	\$ 255,892
Total liabilities and net assets	\$ 240,624	\$ 255,892

The accompanying notes are an integral part of these consolidated financial statements.

University of Louisville Real Estate Foundation, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years ended June 30,
(In thousands)

	2024	2023
Revenues, gains, and other support:		
Rental revenue	\$ 14,502	\$ 14,056
Contributions in-kind	-	65
Net investment return	538	372
Tax incremental financing revenues	832	21,084
Other revenue and gains	1,048	1,990
Total revenues, gains, and other support	16,920	37,567
Expenses:		
Contribution expense	677	780
Salaries	1,536	1,220
General and administrative	1,934	1,843
Lease expense	1,047	1,184
Professional services	1,241	1,361
Utilities	1,659	1,760
Repairs and maintenance	2,367	2,908
Depreciation and amortization	8,993	8,902
Interest expense	1,922	2,338
Total expenses	21,376	22,296
CHANGES IN NET ASSETS	(4,456)	15,271
Net assets, beginning of year	205,668	190,397
Net assets, end of year	\$ 201,212	\$ 205,668

The accompanying notes are an integral part of these consolidated financial statements.

University of Louisville Real Estate Foundation, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF CASH FLOWS

**Years ended June 30,
(In thousands)**

	2024	2023
Operating activities:		
Changes in net assets	\$ (4,456)	\$ 15,271
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Contribution of capital assets	-	(65)
Depreciation and amortization	8,993	8,902
Investments in joint ventures losses	417	257
Deferred tax assets	215	199
Gain on disposal of capital assets	(223)	(723)
Changes in assets and liabilities:		
Accounts receivable	2,586	(1,363)
Prepays and other assets	(735)	(118)
Accounts payable and other liabilities	94	(256)
	6,891	22,104
Net cash provided by operating activities		
Investing activities:		
Distributions from joint ventures	841	1,086
Purchases of investments	(6,955)	(19,585)
Proceeds from sales of investments	9,500	7,500
Purchase of capital assets	(2,575)	(1,633)
Disposal of capital assets	625	1,460
	1,436	(11,172)
Net cash provided by (used in) investing activities		
Financing activities:		
Payments on debt	(5,567)	(9,994)
Repayments to the University of Louisville Foundation, Inc.	(5,379)	(5,500)
	(10,946)	(15,494)
Net cash used in financing activities		
NET CHANGE IN CASH	(2,619)	(4,562)
Cash, beginning of year	8,157	12,719
Cash, end of year	5,538	8,157
Supplemental cash flow information		
Cash paid for interest	\$ 1,966	\$ 2,371
Noncash investing and financing activities		
Contributions of capital assets	\$ -	\$ (65)

The accompanying notes are an integral part of these consolidated financial statements.

University of Louisville Real Estate Foundation, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The University of Louisville Real Estate Foundation, Inc. (ULREF) was formed in November 2014. ULREF's mission is to acquire, maintain, improve, leverage, manage, lease, and convey real and personal property for the benefit of the University of Louisville (the University). ULREF has been designated by the University and the University of Louisville Foundation, Inc. and Affiliates (the Foundation) to receive funds derived from gifts and other sources. As directed by its Board of Directors (the Board), ULREF transfers a portion of its unrestricted resources to support a variety of activities of the University.

The Foundation is an unconsolidated affiliate of the University. ULREF is a discretely presented component in the financial statements of the University.

The accompanying consolidated financial statements include the balances and transactions of ULREF and its affiliates, including the following:

220 South Preston, LLC (Preston) is a limited liability company formed in October 2014 with a 70-year term, whose original members were ULREF and NTS Realty Holdings Limited Partnership (NTS), an unrelated entity. Its purpose is to develop, construct, and manage a parking garage near the health sciences campus of the University. In March 2020, NTS executed its put option to sell its interest in Preston to ULREF. ULREF is now the sole member of Preston.

Louisville Medical Center Development Corporation (LMCDC) is a nonstock, nonprofit corporation whose membership interest was assigned by the Foundation to ULREF in August 2015. LMCDC was originally acquired by the Foundation in October 2008. Its purpose is to hold and administer tax increment financing (TIF) for the Louisville Life and Health Sciences Signature TIF project and the University of Louisville Research Park Project. ULREF is the sole member of LMCDC.

Cardinal Station, LLC (Cardinal Station) is a limited liability company formed in February 2008, whose membership interest was assigned by the Foundation to ULREF in September 2015. Its purpose is to develop and manage the real estate operations of Cardinal Station. ULREF is the sole member of Cardinal Station.

KYT - Louisville, LLC (KYT) is a limited liability company formed in November 2008, whose membership interest was assigned by the Foundation to ULREF in June 2016. Its purpose is to develop and manage the real estate purchase and development of property adjacent to the University. ULREF is the sole member of KYT.

Johnson Hall, LLC is a limited liability company formed in October 2016 with ULREF as its sole member. Its purpose is to manage the operations of Bettie Johnson Hall, a dormitory located on the University's Belknap Campus.

Kurz Hall, LLC is a limited liability company formed in October 2016 with ULREF as its sole member. Its purpose is to manage the operations of Kurz Hall, a dormitory located on the University's Belknap Campus.

Community Park, LLC is a limited liability company formed in October 2016 with ULREF as its sole member. Its purpose is to manage the operations of Community Park, a dormitory located on the University's Belknap Campus.

515 Building, LLC is a limited liability company formed in June 2022 with ULREF as its sole member. Its purpose is to manage the operations of a building located at 515 W. Market Street.

University of Louisville Real Estate Foundation, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

248 E. Market, LLC is a limited liability company formed in October 2022 with ULREF as its sole member. Its purpose is to manage the operations of a building located at 248 E. Market Street.

All material intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the consolidated financial statements. Estimates could affect the reported amounts of revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

At June 30, 2024 and 2023, ULREF's cash accounts exceeded federally insured limits. ULREF has not experienced any losses in such accounts. Management believes that ULREF is not exposed to any significant credit risk on cash.

Short-Term Investments

ULREF categorizes its short-term investments as Level 1 fair value assets, and observes quoted prices for similar assets or liabilities in active markets that it has the ability to access.

Investments in Joint Ventures

In December 2014, ULREF became a 51% owner of Campus Three, LLC (Campus Three). In March 2016, ULREF received a 51% ownership interest in Campus Two, LLC (Campus Two) from the Foundation. These joint ventures build and manage commercial real estate property on the University's Shelby Campus.

The Foundation entered into ground leases to develop a portion of the University's Shelby Campus property. On or about the date of each respective lease, ULREF and NTS entered into a Development Agreement, an Operating Agreement, and a Management Agreement, which state that NTS Development Company (NTS DevCo) will be the developer and NTS Management Company (NTS Mgt Co) will be the manager, and which provide for management, leasing, and development fees to be paid by ULREF to NTS DevCo and NTS Mgt Co. The initial term of the Operating Agreement is 10 years. Campus Two and Campus Three may terminate the Management Agreement for cause upon 60 days' written notice at any time. NTS may terminate the Management Agreement without cause upon 60 days' written notice or terminate the Management Agreement for cause at any time upon prior written notice, and, in such case, NTS may require ULREF to purchase NTS's interest in Campus Three and/or in Campus Two.

ULREF has evaluated these investments as variable interest entities (VIEs) in accordance with Accounting Standards Codification 810, *Consolidation*. A legal entity is referred to as a VIE if any of the following conditions exist: (1) the total equity investment at risk is insufficient to permit the legal entity to finance its activities without additional subordinated financial support from other parties, or (2) the entity has equity investors who cannot make significant decisions about the entity's operations or who do not absorb their proportionate share of the expected losses or receive the expected returns of the entity.

A VIE's primary beneficiary is the entity that has the power to direct the VIE's significant activities and has an obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. A VIE must be consolidated if an entity is deemed to be the primary beneficiary of the VIE.

All facts and circumstances are taken into consideration when determining whether ULREF has variable interests that would deem it the primary beneficiary and therefore require consolidation of the related VIE

University of Louisville Real Estate Foundation, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

or otherwise rise to the level where disclosure would provide useful information to the users of ULREF's consolidated financial statements. In many cases, it is qualitatively clear based on whether ULREF has the power to direct the activities significant to the VIE and, if so, whether that power is unilateral or shared, and whether ULREF is obligated to absorb significant losses of, or has a right to receive, significant benefits from the VIE. In other cases, a more detailed qualitative analysis and possibly a quantitative analysis are required to make such a determination.

ULREF monitors the consolidated and unconsolidated VIEs to determine whether any reconsideration events have occurred that could cause any of them to no longer be a VIE. ULREF reconsiders whether it is the primary beneficiary of a VIE on an ongoing basis. A previously unconsolidated VIE is consolidated when ULREF becomes the primary beneficiary. A previously consolidated VIE is deconsolidated when ULREF ceases to be the primary beneficiary or the entity is no longer a VIE.

ULREF has concluded that it is not the primary beneficiary in any of these investments, and, therefore, these investments are accounted for using the equity method of accounting.

MedCenter Parking, LLC

MedCenter Parking, LLC (MedCenter), located at 501 E. Broadway, is a limited liability company formed in June 2001 whose members are ULREF (50%) and Big A, LLC (50%), an unrelated party. Its purpose is to operate and manage parking space near the MedCenter One building on E. Broadway. The following is a summary of the investments in joint ventures as of June 30 (in thousands):

	2024	2023
Campus Two	\$ 1,698	\$ 1,984
Campus Three	(1,051)	(79)
MedCenter	354	354
	\$ 1,001	\$ 2,259

The following is a summary of ULREF's share of joint venture gains (losses) for the years ended June 30 (in thousands):

	2024	2023
Campus Two	\$ 4	\$ 129
Campus Three	(421)	(386)
	\$ (417)	\$ (257)

Investments in joint ventures are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of the investment might not be recoverable. No impairment was recognized for the years ended June 30, 2024 or 2023.

Amortized Intangible Assets and Liabilities

Intangible assets and liabilities for in-place and above-market leases are being amortized over the related lease terms.

University of Louisville Real Estate Foundation, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

TIF intangibles were recorded in connection with the transfer of LMCDC membership interest from the Foundation. The value of the intangible was derived by discounting projected future increment payments over the remaining life of the Louisville Life and Health Sciences and University of Louisville Research Park Project TIF agreements.

The TIF intangible assets are being amortized over the remaining 18 to 20 years. Such assets are periodically evaluated as to the recoverability of their carrying values.

Capital Assets

Capital assets are stated at cost, if purchased, and at fair value at the date of the gift, if acquired by contribution. Depreciation on capital assets is charged to expense using the straight-line method based on their estimated useful lives.

The estimated useful lives for each major depreciable classification of capital assets are as follows:

Asset Category	Useful Life	Capitalization Threshold
Building and Land Improvements	40 years	\$50,000
Tenant Improvements	Life of lease	\$50,000
Furniture, Fixtures and Equipment	3 years	\$5,000

Long-Lived Asset Impairment

ULREF evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value, and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2024 and 2023.

Rental Revenue and Deferred Rent

Rental revenue is recognized over the terms of each tenant's lease agreement. Certain of ULREF's lease agreements are structured to include scheduled and specific rent increases over the lease term. For financial reporting purposes, deferred rent consists of rents receivable from these leases recognized on a straight-line basis over the initial lease term. Accrued income from these leases reflected as deferred rent, which is included in accounts receivable on the consolidated statements of financial position, was approximately \$271,000 and \$387,000 for the years ended June 30, 2024 and 2023, respectively.

Tax Incremental Financing Revenues

TIF revenues are reimbursements from certain agreements between ULREF, the Commonwealth of Kentucky, and the Louisville/Jefferson County Metro Government. Revenues from these agreements are based on allocations of property taxes, sales and use tax, and income taxes, which vary based on the terms stated in each respective agreement and the amount of taxes collected throughout the year adjusted for inflation. Revenues are recognized when the agencies provide written notice they have completed the increment calculations. The TIF districts are located in downtown Louisville and the University's Belknap Campus area.

University of Louisville Real Estate Foundation, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

For the years ended June 30, 2024 and 2023, ULREF recorded approximately \$832,000 and \$21.1 million, respectively, of TIF revenues.

In-Kind Contributions

In addition to receiving cash contributions, ULREF receives in-kind contributions of buildings and other items from various donors. The Foundation records income for the estimated fair value of in-kind donations in the period they are received and records as assets or as part of the program or supporting services expense upon use on its consolidated financial statements. ULREF received approximately \$0 and \$65,000 of in-kind gifts for the years ended June 30, 2024 and 2023, respectively.

Contributed real estate is recorded at fair value at the date of donation as support and revenue without donor restrictions unless the use of such contributed assets is restricted by a donor-imposed restriction. In valuing contributed real estate, the Foundation utilizes third party valuation specialists to estimate fair value that is generally performed on the basis of recent comparable sale prices in the applicable real estate market. Contributed real estate is capitalized and used for rental activities.

Contributions Expense

ULREF provides University tenants with free or discounted rents. For the years ended June 30, 2024 and 2023, the amounts of free or discounted rents recognized as contributions to University tenants were approximately \$677,000. These amounts are included in contribution expense and rental revenue on the consolidated statements of activities and changes in net assets.

Tax Status

ULREF and LMCDC are recognized by the Internal Revenue Service as exempt from federal income tax under Section 501(a) of the Internal Revenue Code (IRC) as charitable organizations qualifying under IRC Section 501(c)(3), except for income taxes pertaining to unrelated business income. Under U.S. GAAP, the tax effects from uncertain tax positions are to be recognized in the consolidated financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a tax authority.

The remainder of ULREF's affiliates are single-member limited liability companies, which are considered disregarded entities for tax purposes.

Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a natural classification basis on the consolidated statements of activities and changes in net assets.

University of Louisville Real Estate Foundation, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

Expenses by functional classification were as follows (in thousands):

	2024		2023	
	Program Services	Management and General	Program Services	Management and General
Contribution expense	\$ 677	\$ –	\$ 780	\$ –
Salaries	1,536	–	1,220	–
General and administrative	–	1,934	–	1,843
Lease expense	–	1,047	–	1,184
Professional services	–	1,241	–	1,361
Utilities	1,659	–	1,760	–
Repairs and maintenance	2,367	–	2,908	–
Depreciation and amortization	8,993	–	8,902	–
Interest expense	1,922	–	2,338	–
	<u>17,154</u>	<u>4,222</u>	<u>17,908</u>	<u>4,388</u>
Total expenses	<u>\$ 17,154</u>	<u>\$ 4,222</u>	<u>\$ 17,908</u>	<u>\$ 4,388</u>

Reclassifications

Certain amounts as previously reported here have been reclassified in order to conform to the current year presentation. There were no changes to total assets, liabilities and net assets or to changes in net assets.

NOTE 2 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

Financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and scheduled principal payments on debt at June 30, 2024 and 2023 (in thousands), are as follows:

	2024	2023
Financial assets at year-end:		
Cash	\$ 5,538	\$ 8,157
Accounts receivable	1,522	4,108
Short-term investments	9,540	12,085
	<u>16,600</u>	<u>24,350</u>
Total financial assets	<u>\$ 16,600</u>	<u>\$ 24,350</u>

As part of its liquidity plan, ULREF invests excess cash in short-term investments, such as money market accounts.

University of Louisville Real Estate Foundation, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

NOTE 3 - CAPITAL ASSETS, NET

Capital assets, net at June 30 consist of the following (in thousands):

	2024	2023
Land and land improvements	\$ 52,266	\$ 52,473
Buildings	106,526	106,771
Building improvements	2,526	2,414
Tenant finish	4,009	3,775
Furniture, fixtures, and equipment	4,603	2,510
	169,930	167,943
Accumulated depreciation	(30,827)	(26,578)
Construction-in-progress	1,006	975
Total capital assets, net	\$ 140,109	\$ 142,340

Depreciation expense for the years ended June 30, 2024 and 2023, was approximately \$4.4 million and \$4.3 million, respectively.

NOTE 4 - INTANGIBLE ASSETS

The approximate carrying basis and accumulated amortization of recognized intangible assets at June 30 were as follows (in thousands):

	2024		2023	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets and liabilities:				
In-place leases	\$ 354	\$ (343)	\$ 354	\$ (332)
Above-market leases	2,917	(1,143)	2,917	(1,020)
Tax incremental financing	116,600	(38,512)	116,600	(34,148)

Amortization expense for the years ended June 30, 2024 and 2023, was approximately \$4.5 million.

University of Louisville Real Estate Foundation, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

At June 30, 2024, the amortization for acquired TIF intangibles, in-place leases, and above-market leases, net during the next five years and thereafter, assuming no early lease terminations, is as follows (in thousands):

	In-Place Leases	Above-Market Leases	Tax Incremental Financing
2025	\$ 9	\$ 123	\$ 4,364
2026	2	123	4,364
2027	-	123	4,364
2028	-	123	4,364
2029	-	123	4,364
Thereafter	-	1,159	56,268
Total	<u>\$ 11</u>	<u>\$ 1,774</u>	<u>\$ 78,088</u>

NOTE 5 - INCOME TAXES

Deferred income taxes reflect the net tax effect of temporary differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted marginal tax rates and laws currently in effect. As of June 30, 2024 and 2023, ULREF's deferred income tax assets, net of valuation allowances of approximately \$570,000 and \$500,000, were \$750,000 and \$960,000, respectively. Net operating loss carryforwards were approximately \$6.3 million at June 30, 2024; these begin to expire in 2036. No income tax expense was recorded in the years ended June 30, 2024 and 2023.

NOTE 6 - DEBT

Debt on the consolidated statements of financial position consists of the following at June 30 (in thousands):

	2024	2023
Permanent Financing - Preston	\$ 3,505	\$ 7,472
Northwestern Mutual Loan - Housing	33,964	35,564
Total debt	37,469	43,036
Less: debt issuance costs	(309)	(349)
Debt	<u>\$ 37,160</u>	<u>\$ 42,687</u>

In June 2019, Preston entered into a note with a financial institution having a fixed rate of 3.65%, five-year maturity with a 20-year amortization with principal and interest payments due quarterly and all outstanding principal and accrued interest due in full at the maturity date of June 1, 2024. Preston is required to maintain a debt service coverage ratio of 1.00 to 1.00. At June 30, 2024 and 2023, Preston was in compliance with this debt requirement.

University of Louisville Real Estate Foundation, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

In November 2018, ULREF signed a promissory note with a financial institution to refinance three dorms, Bettie Johnson Hall, Kurz Hall, and Community Park. The promissory note has a fixed interest rate of 4.77%, 20-year amortization, with monthly principal and interest payments until maturity date of December 1, 2038.

A summary of scheduled principal payments on the above obligations is as follows (in thousands):

2025	\$	5,184
2026		1,761
2027		1,847
2028		1,937
2029		2,031
Thereafter		24,709
	\$	37,469

NOTE 7 - RELATED-PARTY TRANSACTIONS

ULREF entered into a service agreement with the Foundation to provide certain administrative support. For the years ended June 30, 2024 and 2023, ULREF recorded expense approximating \$676,000 and \$660,000, respectively, which is included in professional services on the consolidated statements of activities and changes in net assets.

ULREF leases certain of its properties to University-related affiliates under operating lease agreements that expire in various years through 2026. Rental income recognized from these tenants was approximately \$2.1 million in 2024 and 2023.

In connection with the assignment of certain membership interests to ULREF, the Foundation entered into a memorandum of agreement effective June 30, 2016, with ULREF and certain of its affiliates, whereas ULREF promises and agrees to pay to the Foundation approximately \$28.9 million. The unpaid balances shall bear no interest. ULREF may make payments on the unpaid balance at any time, in whole or in part, without premium or penalty. At June 30, 2024 and 2023, the net payable due to the Foundation was approximately \$0 and \$5.4 million, respectively.

NOTE 8 - LEASING ACTIVITIES

ULREF leases space to tenants under noncancelable operating leases. As of June 30, 2024, ULREF had various leases expiring monthly to 82 years, through 2106. These leases generally require ULREF to pay all executory costs (property taxes, maintenance, and insurance).

Rental revenue for the years ended June 30 was as follows (in thousands):

	2024	2023
Base minimum rents	\$ 14,386	\$ 13,898
Common area maintenance	116	158
	\$ 14,502	\$ 14,056

University of Louisville Real Estate Foundation, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

Future leasing rent payments due to ULREF on noncancelable leases are as follows (in thousands):

Year ending June 30:

2025	\$	3,023
2026		2,550
2027		1,888
2028		1,410
2029		894
Thereafter		21,393
Total	\$	31,158

Included in the amounts above is a certain subleased property that requires ULREF to pay approximately \$450,000 annually in rent for 10 years, with escalating provisions during the lease term. The basic provisions of ULREF's sublease for this property are equal to its lease commitment.

NOTE 9 - SUBSEQUENT EVENTS

ULREF has evaluated and disclosed subsequent events through September 26, 2024, which is the date the accompanying consolidated financial statements were issued.

Effective July 1, 2024, ULREF filed amended bylaws and amended and restated articles of incorporation in order to affect a reorganization such that ULREF would become a subsidiary of the University of Louisville Foundation, Inc. (ULF) with ULF as ULREF's sole member.

In August 2024, 220 South Preston, LLC entered into a note with a financial institution having a rate equal to the daily SOFR rate plus 125 basis points (1.25%), with principal due and payable in equal consecutive quarterly installments commencing September 1, 2024, and maturing June 1, 2029.